

INDUSTRIAL PROPERTY TAXATION
TASK FORCE REPORT

VOLUME I

FINDINGS AND RESOLUTIONS

August 1989

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TASK FORCE REPORT****VOLUME I****FINDINGS AND RESOLUTIONS****August 1989**

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Submitted To:

The Ministers of Economic Development & Trade,
Municipal Affairs, and Education

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1.0 INTRODUCTION

1.1 PREFACE

Modern day democratic government mandates require that an adequate level of services and infrastructure be provided to its citizens. Further, in order to provide these amenities, it has been recognized that challenging jobs created by a diverse economy, composed of growing companies in an expanding market, provide the opportunity for governments to levy taxes which pay for the services and infrastructure desired by ratepayers. It is in this context that both government and industry seek to find a balance between the level of services versus the need to keep taxes down to an affordable level. Industry's desire is to have taxes of a nature and level so that they can be competitive nationally and internationally. The Local Authorities' desire is to keep taxes as low as possible while providing an adequate level of services.

In its role of province building, the Government of Alberta is desirous that its policies create a business climate that makes Alberta an attractive place for industry to invest. Both the Province and Local Authorities have a mutual goal of industrial diversification to ensure more stable economic growth and development. Profitable opportunities depend on vibrant communities with competitive cost structures, including taxes.

In seeking to fulfil their role of providing an adequate level of services, Local Authorities strive to ensure fairness, equity, and balance when applying various forms of taxation. Ability to pay and to be competitive are important industry considerations. Taxes plus other costs of doing business complete this equation that determines the balance between competitiveness and profitability of industry and the economic development prospects of Local Authorities and the level of services desired by the citizens of municipalities.

While the Local Authorities would like to have investigated all aspects of costs of production for industry, this would have been a large undertaking outside of the mandate established by the Ministers. The Task Force undertook an interprovincial comparison of total corporate taxes (including income and

capital tax, sales tax, payroll taxes, and property taxes) paid on selected industrial properties.

Comparisons were made in the analysis on two types of investments/properties in British Columbia, Alberta, Ontario, and Quebec. The Technical Report contains the detailed analysis of these comparisons along with information on interprovincial comparisons of corporate, business, local property, school, and municipal taxes. Other comparisons were made including levels of education costs, and assessment practices.

This volume (Volume I) covers the key findings of the work program, a review of issues considered by the Task Force, and their findings, resolutions, and recommendations. Volume II, the Technical Report, contains the data and findings resulting from the Issue Guidelines provided to the Working Group by the Task Force.

Given the make-up of the Task Force, it is understandable that the membership had difficulty in reaching agreement on all issues. Whether a consensus was reached or not, the members have endeavoured to present the issues in a concise and factual manner that will be useful to the Ministers.

As Chairman, I would like to "THANK" the members of the Task Force and the members of the Working Group for the many days devoted to the numerous and complex issues.

Clarence J. Roth
Chairman,
Industrial Property Taxation Task Force

Deputy Minister, Policy and Planning
Alberta Economic Development & Trade

1.2 BACKGROUND

On April 30, 1987, the Ministers of Economic Development & Trade; Municipal Affairs; and Education issued a press release announcing the formation of the Industrial Property Taxation Task Force (Appendix I). This Task Force was established in response to the belief by some industries that current property assessment and taxation practices in Alberta affect their overall competitiveness in relation to other provinces. More specifically, industry's concerns related to the machinery and equipment tax and its impact on Alberta firms with high levels of investment in manufacturing and processing equipment.

The joint industry-government Task Force was given a mandate to examine the total tax exposure on industries in Alberta relative to other provinces. Specific matters to be addressed by the Task Force, as outlined in the Terms of Reference, included:

- o any issues/problems relevant to industrial property assessment and taxation;
- o municipal and school concerns as they relate to property taxation issues;
- o Alberta property tax history;
- o examination of property taxes and equivalent levies on capital assets in other provinces; and
- o other taxes on industries in Alberta relative to other provinces, including corporate income taxes, sales/commodity taxes, and payroll taxes.

As part of the Terms of Reference, the Task Force was also asked to review alternative solutions to identified problems, including impacts, and note areas of agreement and disagreement. Finally, a written report was to be submitted to the Ministers. A copy of the Task Force Mandate and Terms of Reference is presented in Appendix II.

A total of fourteen representatives from the local government authorities, industry, and provincial government were appointed to the Task Force. These included:

- o Clarence J. Roth, Chairman, Deputy Minister of Economic Development & Trade;
- o Ted Grimm, Mayor, City of Medicine Hat, representing the Alberta Urban Municipalities Association;
- o Gordon Miller, Reeve, County of Minburn #27, representing the Alberta Association of Municipal Districts and Counties;
- o Bill Mahon, Past President, Improvement Districts Association of Alberta, representing the I.D.A.A.;
- o Elaine Jones, Trustee, Edmonton Public Schools, representing the Alberta School Trustees Association; and Sandra Weidner, President, Alberta School Trustees Association;
- o Allan C. Oliver, Chairman, Tax Committee, Fort Saskatchewan Regional Industrial Association;
- o Doug Cattran, Manager, Western Canada Division, Dow Chemical Canada Inc., and Industry Chairman;
- o Carmine Falcone, Vice President - Western Complex, Shell Canada Products;
- o Serge Rand, Manager, Central Accounting Services, Nova Corporation of Alberta, and Industry Coordinator;
- o Rene Gagne, Assistant Deputy Minister, Alberta Municipal Affairs;
- o Brian Fennell, Director, Finance and Support Services, Alberta Education;
- o Doug Does, Secretary; Senior Director, Industry Development Branch, Alberta Economic Development & Trade; and
- o Duane Pyear, Chairman of the Working Group, Acting Director, Industrial Policy, Alberta Economic Development & Trade.

Observers:

- o Al Brennan, Executive Officer, Forest Industry Development Branch, Alberta Forestry, Lands & Wildlife;
- o Grant Robertson, Acting Director, Tax Policy, Alberta Treasury; and
- o Doug Burrows, former Commissioner City of Edmonton, Consultant, representing industry.
- o Tom Robert, Property Tax Advisor, Imperial Oil Ltd.

1.3 WORK PROGRAM

To assist in carrying out its mandate, a Working Group was appointed by the Task Force to provide factual information and analysis on the relevant issues relating to industrial property taxation. List of representatives to the Working Group is presented in Appendix III.

The Task Force developed a set of Issues Guidelines (Appendix IV) to provide specific direction to the Working Group in conducting their research and analysis.

The work program of the Working Group consisted of:

- o compiling and analysing intermunicipal data on taxation, assessment practices, and municipal finance within Alberta;
- o conducting an interprovincial survey of property taxes on actual industrial plants (refinery, warehouse);
- o conducting an interprovincial survey of municipal services responsibilities and level of provincial grants/transfers;
- o meeting with assessment specialists from British Columbia and Ontario;
- o retaining Conference Board of Canada as a consultant to do a detailed analysis of interprovincial tax competitiveness;
- o comparing education costs and sources of funding across Canada; and
- o preparing a written "Technical Report" to the Task Force.

The efforts of the Working Group were greatly assisted by the contribution made by Alberta Municipal Affairs, both in terms of responding to information requests, and providing manpower resources to assist members of the Working Group in analysing the data. Alberta Education also made a valuable contribution to the Working Group in terms of providing financial data on local school boards, as well as compiling information on education expenditure comparisons by province.

The Task Force met on a periodic basis to review the progress of the Working Group and to provide additional direction where required.

A number of reports and documents which were prepared by various interest groups are listed in Appendix V of this report. While these documents were available as reference material, the Working Group relied on independent sources such as provincial government departments and local government authorities, for their data collection and analyses.

The Conference Board of Canada was also retained as a consultant to undertake a detailed analysis of relative competitiveness of the corporate tax systems in Alberta, Ontario, Quebec, and British Columbia.

The Task Force findings and resolutions were based on the technical information and analyses provided by the Working Group. Where there was no consensus among the Task Force members, the issues were identified in a concise and factual manner, outlining the differing views and positions within the Task Force.

1.4 ORGANIZATION OF REPORT

Volume I of the report presents the results of the deliberations of the Task Force and the positions of the representatives as they relate to the various issues/problems associated with the industrial property tax system in Alberta.

Volume II, referred to as the "Technical Report", provides an information base and analyses of the key issues/problems identified by the Task Force. The Technical Report includes comparative tax data from other provinces, as well as a review of the provincial property tax systems, other corporate tax levies in Alberta, and other selected provinces across Canada. The Study by the Conference Board of Canada is included as an appendix to this report.

GLOSSARY OF TERMS/DEFINITIONS

AAMD&C - Alberta Association of Municipal Districts and Counties

ASTA - Alberta School Trustees Association

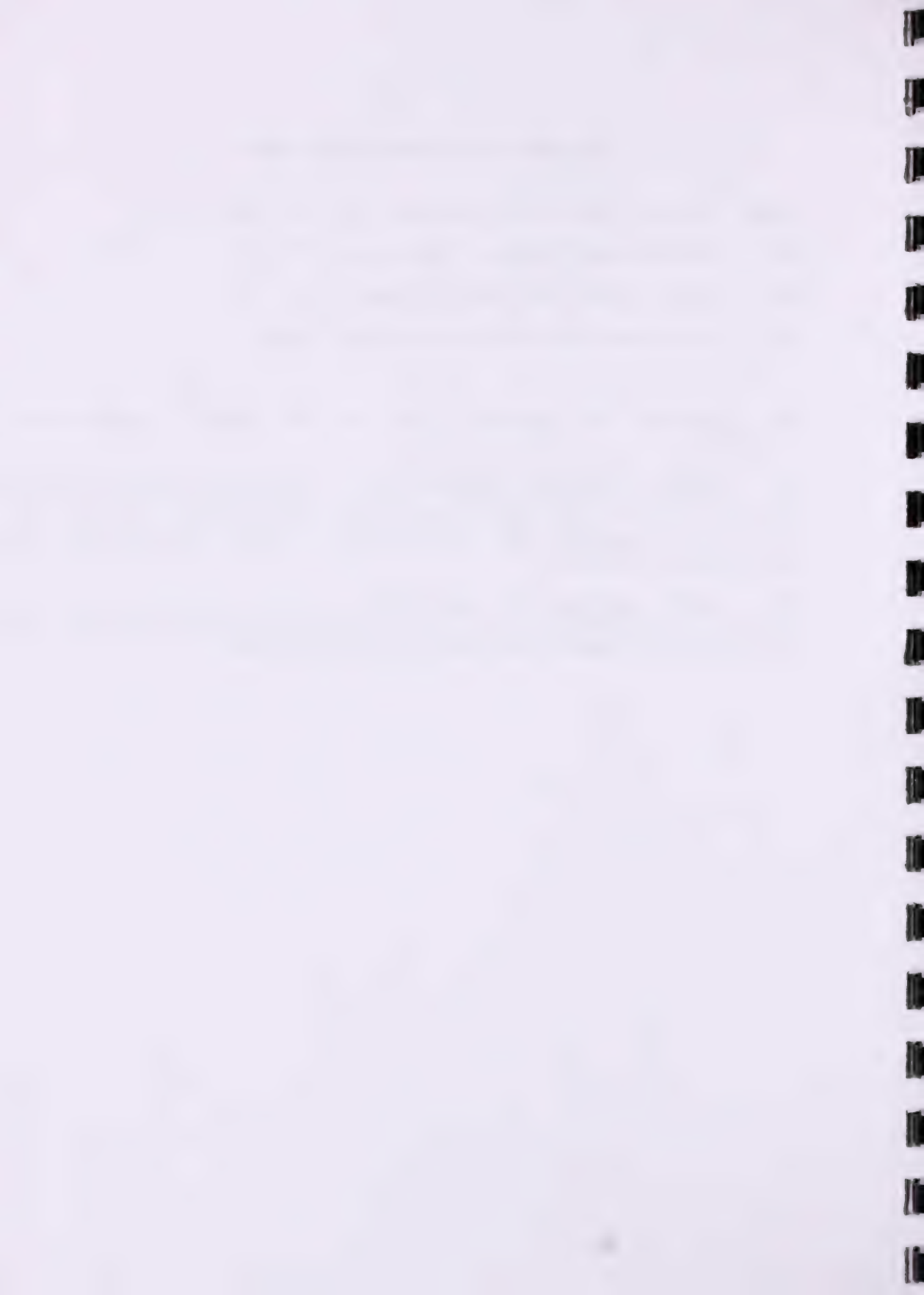
AUMA - Alberta Urban Municipalities Association

IDAA - Improvement Districts Association of Alberta

M&E: machinery and equipment used for the purposes of manufacturing and processing

SFPF - School Foundation Program Fund: provides the financial foundation for instruction, transportation, buildings and equipment for public and separate school boards. The province obtains funds for this program primarily from general revenues, but also through a uniform province-wide levy on non-residential property.

SSR - School Supplementary Requisition: under the School Act, a school board has the authority to requisition an amount of local property taxes to supplement grant revenues from the provincial government.



2.0 PROPERTY ASSESSMENT AND TAXATION ISSUES

2.1 ASSESSMENT PRACTICES

2.1.1 ISSUE: ASSESSMENT FUNCTION

BACKGROUND

The legislation and regulations regarding assessment are set out by the provincial government. The assessment roll and the function in which it is carried out are the responsibility of the individual municipalities.

There are several options a municipality may employ regarding who shall perform the assessment function (the Municipal Taxation Act does not specify that the assessor be an accredited municipal assessor of Alberta). Most municipalities use assessors employed by the provincial government (Municipal Affairs), however; a number of municipalities employ their own assessors on a full-time basis or use contract assessors to perform the assessment function.

The Alberta Government has granted considerable autonomy to municipalities in determining their property assessment. The assessment rules and procedures which apply in a municipality are those in effect in the base year of the municipality's general assessment. Council decides when to complete a general assessment and how long to retain that assessment, provided it doesn't exceed eight years. As a consequence of the different assessment years in place, assessment policy and procedures can vary between municipalities. This can lead to discrepancies in assessment values for similar properties (located in separate municipalities) which is one factor causing significant differences in property tax levels across the province.

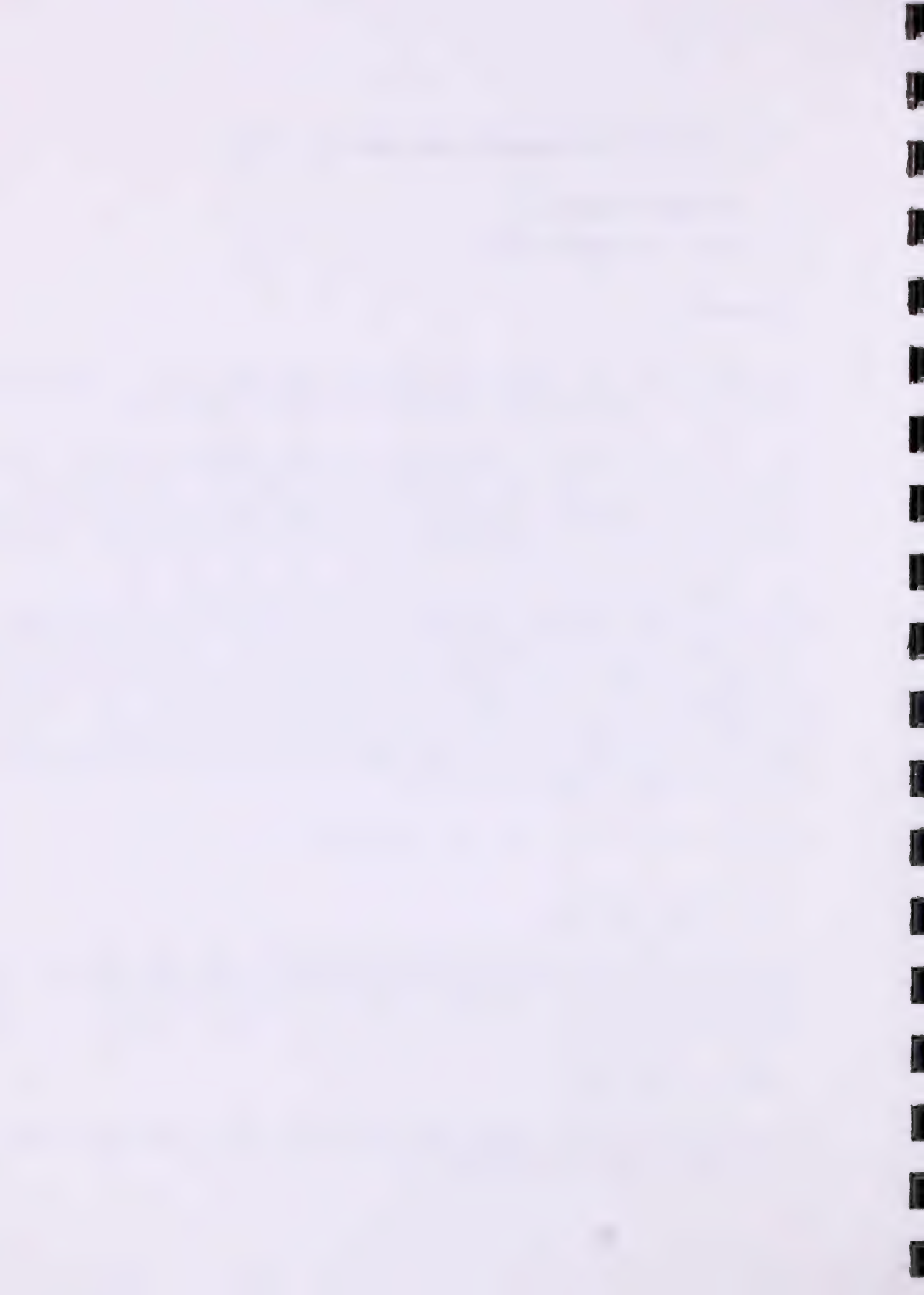
Note: Refer to Section 4.2.1. of the Technical Report for further details.

TASK FORCE POSITION

There was general agreement among Task Force members that more frequent, general assessments (moving toward annual) be carried out throughout the province.

INDUSTRY POSITION

To minimize the existing differences in the application of assessment practices and procedures, Industry recommends that:



- o General assessments be conducted on an annual basis in order to keep assessments more current with changes in market values and changes in assessment policy. Municipal Affairs should also expand its efforts to computerize municipal assessment to facilitate annual general assessments.
- o An independent assessment authority be established to be responsible for controlling and financing the assessment function. A major role of this authority should be one of improving assessment standards and ensuring that assessment practices are uniform and consistent. The assessment authority should also include representatives from industry and local governments.

LOCAL AUTHORITIES POSITION

The Local Authorities recommend that:

- o The matter of Alberta property assessment, its policies, procedures, and applications be analysed through a comprehensive study process which is outlined in further detail in section 4.0 of this report - General Comments/Recommendations

2.1.2 ISSUE: OBSOLESCENCE FOR INDUSTRIAL PLANTS

BACKGROUND

Economic obsolescence is a form of depreciation that must be given consideration by the assessor in the preparation of assessment.

Economic obsolescence is traditionally defined as the loss in value arising from diminished utility due to causes external to the property. However, when dealing with industrial properties, determining the dollar value of economic obsolescence becomes much more complex, and often very subjective, given that industrial properties do not sell regularly on the marketplace.

Note: Refer to Section 4.2.3. of the Technical Report for further details.

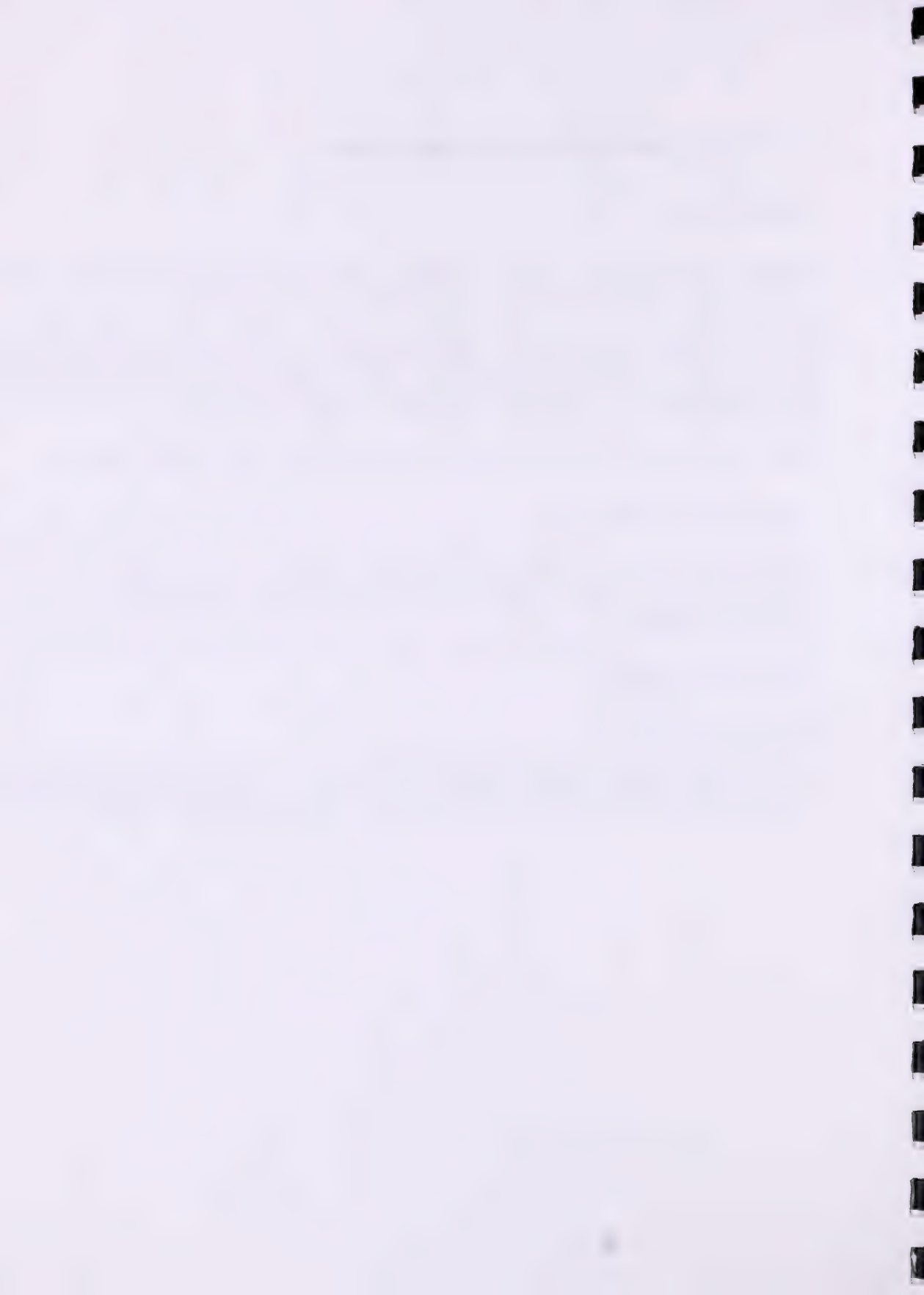
TASK FORCE POSITION

The principles for establishing obsolescence should be more clearly defined, and referred to in decisions at all levels of authority, including assessment appeals.

INDUSTRY POSITION

Industry recommends that:

- o Economic/functional obsolescence must be fully recognized on industrial plants when establishing taxable assessments. This recognition should be measured using generally accepted appraisal and evaluation principles.



2.1.3 ISSUE: SUPPLEMENTARY ASSESSMENT AND TAXATION

BACKGROUND

A supplementary assessment applies to assessable improvements which have been completed or put into operation during the calendar year. Its purpose is to generate property tax revenue for that part of the year in which the property is in use.

Municipal councils have the option to enact a bylaw authorizing a supplementary assessment. Most municipalities in the province, currently do not apply a supplementary assessment.

For larger industrial properties, there can be substantial savings or costs to a business, depending on whether or not a municipality has enacted a supplementary assessment bylaw.

Note: Refer to Section 4.2.2 of the Technical Report for further details.

TASK FORCE POSITION

If applying supplementary assessments, municipalities must include the additional taxes in their annual budget revenue estimates, according to the Municipal Taxation Act (Section 92(1) and Section 95(2)).

INDUSTRY POSITION

Industry recommends that:

- o Supplementary assessment and taxation should be required province wide on buildings and structures, but not on industrial machinery and equipment.

LOCAL AUTHORITIES POSITION

- o Supplementary assessment on property should be consistent across the province.

2.1.4 ISSUE: EQUALIZED ASSESSMENT

BACKGROUND

Equalized assessment is a process used to apportion some shared costs and impacts some provincial grant programs (e.g. municipal and transportation grants). The main application of equalized assessment is for the School Foundation Program and school supplementary requisitions.

After reviewing the equalization process and the purpose of equalization, it is fair to say that most, if not all, the inequities and inconsistencies were addressed by the Study Committee on Equalized Assessment during 1981 - 1983 (refer to Appendix VI of Technical Report for summary of Study). Recommendations resulting from the Committee's report have been considered by the provincial government and changes have been made over the past two to three years.

It would appear that any resulting inequities in the equalization derive from the live assessment done in each municipality.

The accuracy of equalized assessment is only as good as the assessment figures completed by each municipality and submitted to the Equalization Board. Not all municipalities tax M&E, however M&E assessment is used in determining every municipality's equalized assessment.

Concern has been raised with the inaccuracy of M&E assessment in those municipalities which do not tax M&E. If assessment of M&E in these municipalities is not being accurately completed, then taxation inequities are produced which have detrimental spin-off effects throughout the Province.

Note: Refer to Section 4.1.1 of the Technical Report for further details.

TASK FORCE POSITION

Computerize the assessment base in Alberta which will facilitate annual updates to reflect changes in market values, and ensure equity between areas.

Clarify and simplify the Formula (Ramsay) for prorating electric power and pipeline, and AGT linear properties between school and hospital districts in rural municipalities.

Move towards annual general assessments in all municipalities which would eliminate the need for equalized assessment calculations.

INDUSTRY POSITION

- o Develop an equitable provincial system of sharing property tax revenue from assessments on industrial, electric power and pipeline installations, including communications and cable systems.

2.2 ISSUE: MACHINERY AND EQUIPMENT ASSESSMENT AND TAXATION

BACKGROUND

Under the Municipal Taxation Act, machinery and equipment (M&E) used in manufacturing and processing is subject to assessment and may be taxed by the municipality. The manner in which M&E is assessed in Alberta has undergone a number of reforms over the years which has altered the level of M&E assessment relative to other property. These reforms have resulted in significant shifts in the level of M&E taxes paid by individual companies, and in tax revenues collected by the municipalities in which these plants are located.

A number of industry representatives have objected to the concept of an M&E tax, stating that it places a greater property tax burden on individual companies with a high proportion of assets in manufacturing and processing equipment. Outside of Alberta, Nova Scotia is the only other province in Canada that assesses and taxes M&E used for the purposes of manufacturing or processing.

Municipalities in Alberta may tax all or a portion of M&E assessment, or fully exempt M&E from taxation. They also have the option of applying either a business tax or M&E tax (but not both) on a given property. In most urban municipalities, M&E tax is not a large source of revenue. In fact, some of the larger urban centers (Calgary, Edmonton, Lethbridge, Red Deer, and St. Alberta) have fully exempted M&E from taxation. The City of Fort Saskatchewan and the Town of Hinton are exceptions where M&E tax makes up a large component of the total property tax revenue. All rural municipalities tax M&E, and many depend on it as a major source of tax revenue.

In 1987, the total municipal and school taxes collected from M&E assessment in Alberta amounted to \$124.2 million. On a province-wide basis, the M&E tax represented 6.6% of the total property tax revenue collected by Alberta municipalities. In the rural municipalities where most capital intensive manufacturing and processing industries are located, M&E taxes accounted for an average of 22% of total property tax revenue in 1987. A breakdown of the M&E tax by type of municipal jurisdiction is presented on the following table.

Note: Refer to Sections 1.1 and 4.1.2 of the Technical Report for further details.

**Machinery and Equipment Tax
as a Percentage of Total Property Taxes - Alberta, 1987**

	<u>M&E Taxes</u> (\$'000)	<u>Total Property Tax</u> (\$'000)	<u>M&E as a Percentage of Total Property Taxes</u>
Cities	24,532	1,256,150	2.0
Towns	2,636	169,991	1.6
Villages	91	26,616	0.3
Counties	44,430	242,364	18.3
Municipal Districts	19,052	100,872	18.9
Improvement Districts	32,824	86,807	37.8
"Special Areas"	630	10,334	6.1
TOTAL	124,195	1,893,134	6.6

Source: Alberta Municipal Affairs

VIEWS OF TASK FORCE REPRESENTATIVES

- o Regarding machinery and equipment (M&E) assessment, the Task Force had extensive discussions to try to attain a good understanding and appreciation of the key issues from the perspective of both the Local Authorities and Industry.
- o Industry representatives were generally critical of M&E assessment and taxation, identifying it as an unfair tax (affects only manufacturing and processing industries) that adversely affects Alberta's competitiveness in domestic and international markets. Industry also noted that it acts as a disincentive for locating or relocating heavy industry in the areas designated by general municipal plans.
- o Municipal and school authorities recognize the need for industry to locate, compete, and thrive in Alberta, but noted they cannot afford any reduction or instability in local authorities' revenue base. Furthermore, any tax benefit provided to capital intensive industry may simply shift the tax responsibility to other taxpayers, specifically, residential, farm, commercial, and other non-manufacturing enterprises.

INDUSTRY POSITION

- o Phase-out M&E taxation from the property tax base. A vast majority of Local Authorities have demonstrated sufficient fiscal capacity without an M&E source.

LOCAL AUTHORITIES POSITION

- o Maintain the status quo for M&E assessment and taxation at this time, pending the Premier's Commission recommended in Section 4.0 of this Report.
- o It is recognized that other provinces may assess part of what is assessed in Alberta as M&E, as building and structures.

2.3 ISSUE: BUSINESS TAX

BACKGROUND

The business tax is used primarily by urban municipalities in Alberta as a source of tax revenue. The tax can be levied against any activity or undertaking of a commercial or industrial nature.

A business tax and property tax on machinery and equipment can be both levied in a municipality but not on the same premises. Since school jurisdictions do not benefit from business tax, this practice means a municipal policy decision impacts the tax base of a school jurisdiction.

Note: Refer to Section 1.2 and 4.1.2 of the Technical Report for further details.

TASK FORCE POSITION

Amend the Municipal Taxation Act to assure that business taxes are used to support supplementary school requisitions in the same manner as other property taxes.

INDUSTRY POSITION

- o Phase-out the current assessment and taxation of machinery and equipment and replace it with a broad based tax which would be competitive with other provinces in Canada as well as world competitors.

LOCAL AUTHORITIES POSITION

- o Refer to the recommendation of the Premier's Commission Report outlined in Section 4.0 of this Report.

2.4 ISSUE: SPLIT MILL RATES

BACKGROUND

Split mill rates are used by some municipalities in Alberta as a means of raising additional municipal revenue from non-residential property. Many communities have used split mill rates in recent years to replace their business tax which is generally considered more difficult to administer. Only a few of the rural municipalities currently apply a split mill rate.

With the exception of one jurisdiction, split mill rates are not used for local school tax purposes (school supplementary requisitions).

One of the major criticisms of the use of split mill rates is that it undermines the principles of tax equity which underlie the assessed value placed on property. Also, a higher mill rate for non-residential property adds to the tax burden on properties with machinery and equipment assessment.

Note: Refer to Section 4.1.5 of the Technical Report for further details.

INDUSTRY POSITION

- o Eliminate the use of split mill rates, or legislate to limit split mill rates where it is clearly justified by differentials in servicing costs for a class of tax payer receiving higher or lower cost of services.

LOCAL AUTHORITIES POSITION

- o Retain the flexibility and autonomy afforded by the split mill rate option.

2.5 ISSUE: PROVINCIAL COMPARISON OF PROPERTY AND BUSINESS TAXES

BACKGROUND

As part of the evaluation of property tax levels, a provincial survey was conducted to obtain information on assessment practices, and to determine tax levels for industrial properties across Canada. Provinces contacted included British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, and Nova Scotia.

Two types of industrial properties were selected for the survey - an oil refinery and an industrial warehouse. The oil refinery represents an industry with a high level of manufacturing machinery and equipment (M&E), and the industrial warehouse - a property with only land and buildings and no M&E.

The findings of the survey showed that, for the oil refinery, Alberta had the second highest level of property taxes, next only to Nova Scotia. Alberta and Nova Scotia are the only provinces in Canada to assess and tax machinery and equipment used for manufacturing purposes. Taxes in Ontario and Saskatchewan were less than half the level of Alberta.

For the warehouse property, the results were mixed, depending on whether the property was located in rural Alberta or a larger city where a business tax is applied. (Note: most rural municipalities in Alberta do not impose a business tax.) The taxes paid in Saskatchewan and Ontario were more than double the level paid in rural Alberta. In the larger cities such as Edmonton and Calgary, a business tax is imposed, which significantly increases the tax level on the warehouse property in Alberta.

Further study was undertaken by the Working Committee to examine the variance of property taxes within selected provinces, namely Alberta, British Columbia, Ontario, and Quebec. The findings of this analysis is presented in Appendix II of the Technical Report.

Note: Also refer to Section 3.1 of the Technical Report for further details of interprovincial property tax comparisons.

INDUSTRY POSITION

- o Alternatives to reduce property tax levels for Alberta manufacturing industry must be developed if Alberta products are to be competitive in Canadian and world markets.
- o Current practice subsidizes imports to Alberta at the expense of job creating manufacturing industries.

LOCAL AUTHORITIES OBSERVATION

- o It is recognized that other provinces may assess part of what is assessed in Alberta as M&E, as building and structures.

2.6 ISSUE: INTERPROVINCIAL COMPARISON OF INDUSTRIAL TAX SYSTEMS

BACKGROUND

In order to compare the total tax load on industry in Alberta, relative to other provinces, the Conference Board of Canada was contracted to undertake a detailed analysis of the provincial tax systems in Alberta, British Columbia, Ontario, and Quebec. The Conference Board was selected based on its expertise and research in national and international tax analysis.

In addition to local property and business taxes, all provincial corporate taxes were examined, including capital taxes, corporate income taxes, sales/commodity taxes, and payroll taxes.

Two types of Alberta-based industries were selected for the tax comparisons:

- o a petroleum refinery which represents a relatively capital intensive industry; and
- o a food processing plant which represents a smaller scale industry, with a relatively lower proportion of fixed capital investment in manufacturing and processing equipment.

The findings of the study showed that the relative competitiveness of Alberta's corporate tax system depends on the nature of the industry. In the case of the food processing plant, Alberta's tax system ranks as the second most competitive, following closely behind Ontario. British Columbia was ranked third and Quebec fourth. Ontario's lead in the interprovincial ranking of tax systems originates from the lowest property tax estimate among the provinces compared. On the other hand, Quebec imposes the highest property tax which, coupled with substantial capital and payroll taxes, makes this province's tax system the least competitive for the food processing industry.

In the case of the petroleum refinery, Alberta's tax system becomes less competitive, ranking a distant third behind Quebec and Ontario. The reason for this change in ranking is the significantly higher property taxes paid in Alberta compared to Ontario and Quebec. Alberta is the only province of the four to include manufacturing machinery and equipment in the local property tax base.

Quebec's lead in the interprovincial ranking of tax systems is mainly because of its low corporate tax rate, and its low level of property taxes relative to Alberta. Ontario is more competitive than Alberta due to the significantly lower level of property taxes. The lower property taxes in Ontario and Quebec more than offset the impact of other provincial taxes in these provinces.

Note: Refer to Section 3.2 of the Technical Report, and the Conference Board Study for further details.

INDUSTRY POSITION

The industrial segment of the Alberta economy needs to be taxed competitively and equitably, recognizing that manufacturing, along with the resource based industries, are the key wealth generators and have major spinoff benefits to the rest of the economy. The manufacturing sector must grow if the Alberta economy is to become more diversified and less subject to resource and agricultural cycles. The more competitive Alberta industry becomes, the faster the rate of industrial growth and diversification in the Province. Analysis of the data from the Conference Board study indicates the non-competitiveness is caused by M&E taxation.

LOCAL AUTHORITIES POSITION

The Conference Board Report is a very narrowly based comparison of tax competitiveness among provinces. It focuses mainly on food processing and refining industries without recognizing the importance of a variety of small businesses and economic sectors which contribute to the tax base of local authorities. It would be inappropriate to consider restructuring the assessment and taxation system on the basis of an indication that an industry group may be financially stressed.

Furthermore, the report does not say that tax competitiveness is a significant component in the total cost of operation nor in the overall competitiveness of a specific industry. Experience in municipalities has indicated in both the initial location of industries, and in closure of industries, that availability and cost of raw materials, labour, transportation, and markets are often the key economic competitive factors. In addition, positive quality of life, political and social stability, favourable government regulations, government incentive programs, and adequate services to property are the bonuses that industry identify and look for in locating their operations.

Alberta industry and business have contributed to and benefited from assessment and tax policies, incentives and royalty benefits. Indeed, municipalities and the Province are improved by the demands and increased expectations created by industries. These improvements and the growth become part of the shared tax base and burdens in our communities. Municipal and provincial leaders know that in a relatively sparsely populated area there will be times in the early development of industrial diversification when the tax burden cannot be shared proportionately among tax classifications.

The complexity of the equitable sharing costs and benefits by the various tax classifications is such that any shifts from the present policies and practices will require a comprehensive study. For example, what is the tax competitiveness of our tourist industry, small retail business, service industry, agri-business, et cetera. The local authorities are convinced that a change in policy or practice based on a seeming disparity in one industry without knowledge of the subsequent impact on other sectors and without representation or input from those on other sectors would be a disservice to their constituents. It is on this basis that we emphasize the need for a comprehensive study of the tax structure and municipal and educational financing in Alberta, namely, a Premier's Commission as outlined in Section 4.0 of this report.

3.0 OTHER RELATED FINANCE AND TAXATION ISSUES

3.1 ISSUE: SCHOOL FOUNDATION PROGRAM FUND

BACKGROUND

The School Foundation Program Fund (SFPF) was initially established by the Province in 1961. Today, the Province obtains funds for this program primarily from general revenue, but also through a uniform province-wide levy on non-residential property. The SFPF levy is collected by the local municipalities on behalf of the Province. The funds are then distributed by the Province among the school jurisdictions on the basis of their pupil enrolment, transportation costs, and capital expenditure.

Originally, the SFPF levy was also assessed on residential and farm property, however, these properties were exempted from the levy with the introduction of the Alberta Property Tax Reduction Act in 1974.

In the 1987/88 fiscal year, the SFPF levy raised an estimated \$155.5 million from industrial/commercial and other non-residential property. Provincial contribution to the fund from general revenues amounted to an estimated \$902.7 million, giving a total School Foundation Program revenue fund of \$1,058.2 million for 1987/88.

Note: Refer to Section 4.1.3 of the Technical Report for further details.

TASK FORCE POSITION

Both industry and municipal representatives expressed concern about the accuracy of the assessment used to apportion the SFP requisition among the municipalities. Specifically, concern was raised with the inaccuracy of M&E assessment in those municipalities which do not tax M&E. In most circumstances, the assessor does not extend the resources to devote the same attention to assessment that is not taxed versus taxable assessment. Further, there is seldom, if ever, any review of the non-taxed assessment through appeals to the Court of Revision or the Assessment Appeal Board. If assessment of M&E in these municipalities is not being accurately completed, then inequities are produced in the equalized assessment used to apportion the SFP requisition.

INDUSTRY POSITION

- o The SFPF levy on industrial/commercial property be removed from the property tax base and funded through provincial general revenues.
- o The position of industry representatives is that the SFP levy is an unfair tax for two reasons:

- it is only applied against non-residential property (residential and agricultural property owners exempt from the levy) which places a higher burden of education costs on business; and
- the tax is based on the capital assets (property) owned by business rather than on business income or profits. This results in the capital intensive manufacturing industries paying a disproportionate share of the SFP tax.

LOCAL AUTHORITIES POSITION

- o While there is some support for the recommendation that the School Foundation Program Fund Levy on industrial/commercial property be removed from the property tax base with the necessary revenue being collected from some other forms of taxation, it is generally thought that this is tantamount to tinkering with one element of a rather complicated tax structure. What is really required, is a complete review of the tax structure in Alberta such that the incidence of any taxation shift is known and reliability of revenue is assured.

3.2 ISSUE: SCHOOL SUPPLEMENTARY REQUISITION

BACKGROUND

School Boards in Alberta have increasingly relied on supplementary requisitions (local school taxes) as a means of raising funds to meet their revenue requirements. Supplementary requisitions accounted for 33% of total education funding in Alberta in 1987 compared to just over 10% in 1971. The increasing dependence on the use of the supplementary requisition, combined with the rapid growth in education costs, has resulted in supplementary requisitions per pupil increasing by some 800% between 1974 and 1987 (Section 4.1.4 of the Technical Report).

With the rapidly escalating school supplementary requisition, there is also growing concern regarding the equitable fiscal capacity among school jurisdictions. As jurisdictions increasingly rely on the local property tax to support public education, some jurisdictions with a smaller assessment base are disadvantaged relative to the more populated and industrialized jurisdictions.

While it is recognized that the provincial government provides equity grants to those jurisdictions which are fiscally disadvantaged, it is increasingly difficult for these jurisdictions to provide the same standard of education offered in the larger urban and industrialized jurisdictions.

Note: Refer to Section 4.1.4 of the Technical Report for further details.

TASK FORCE POSITION

Because education is a provincial responsibility, the provincial government with its broader tax base, should fully fund the prescribed program of studies deemed to be both necessary and sufficient for students in today's society. Local jurisdictions should be responsible for funding only locally determined educational enhancements (i.e. a true supplementary requisition).

It is recommended that a Boundaries Commission be established to review the current boundaries for educational jurisdictions. There are approximately 150 operating school jurisdictions with another thirty non-operating jurisdictions in the Province of Alberta. Many of these jurisdictions are both administratively, fiscally, and educationally inefficient. As school boards are required to rely more and more on the local requisition to support their educational costs, the disparity between those jurisdictions with a high assessment and those with low assessment increases. There is now a growing realization that if we are to achieve a semblance of fiscal equity, something must be done about structural equity.

INDUSTRY POSITION

- o Supplementary requisitions should not exceed a fixed percentage of local education costs, as determined by the provincial government. The remaining funding requirements should be provided from general revenues from the provincial government.

3.3 ISSUE: MUNICIPAL AND SCHOOL BOARD RESERVES AND SURPLUS FUNDS

BACKGROUND

Based on 1987 financial statements, Alberta municipalities in total, had accumulated operating surplus funds of \$323 million, and reserves of \$799 million. By comparison, the school boards in 1987 had accumulated surplus funds of \$61 million, and reserves of \$52 million. The surplus funds and reserves are not necessarily held in cash but may be invested in other financial assets. The reserve funds may be dedicated for a specific purpose such as road improvements, equipment replacement, recreation facilities, schools, etc., or they may be uncommitted funds held in reserve by the municipality for undefined general capital purposes.

The surplus funds are realized from annual revenues, including taxes, collected in excess of operating expenditures. They arise as a result of a variance from the plan or budget. It should be noted that all surplus funds and reserves are not only a result of property taxation, but also other funding sources including levies, grants, and self-generated funds by the municipality. Some of the reserves were created as a result of a provincial per capita one time debt reduction program grant in 1979.

The provincial government does not attempt to control the value of reserve accounts or regulate the size of capital reserves set aside by municipalities. Municipalities when dealing with capital projects must nevertheless get approval from the Local Authorities Board to borrow money. The Local Authorities Board function is to ensure the municipality is not over extended financially and to ensure that there is statutory authority for which the debenture is intended.

There are no restrictions on the size or use of school jurisdiction accumulated operating reserves. Any money that a school jurisdiction has set aside in their capital reserve fund must be used only for capital expenditures. The Minister of Education, however, may grant permission to a school board to use capital reserves for a purpose other than that for which it was acquired.

Note: Refer to section 4.4 of the Technical Report for further details.

TASK FORCE POSITION

Adopt a provincial policy which ensures that a municipality/school board does not establish large unallocated reserves/surplus funds.

3.4 ISSUE: MUNICIPAL AND SCHOOL CAPITAL FINANCING POLICY

BACKGROUND

Municipalities use several methods of financing capital acquisitions, besides accessing provincial grants and long-term borrowings. Most common is contributions from the current year's revenues, being the tax levy. Many municipalities have set aside reserve funds over a period of time in order to avoid sharp mill rate increases or additional long-term debt when new capital purchases are required. The use of capital reserves is certainly a common method of capital financing. A number of municipalities have accumulated funds from off-site levies on new developments or redevelopments to assist in financing capital.

The Alberta Municipal Financing Corporation provides funding to local authorities through long term debenture borrowings to fund capital acquisitions. Municipalities must obtain approval from the Alberta Local Authorities Board for all long-term capital borrowings. The Board has established "Debt Guidelines" which municipalities must fall within in order to obtain Board approval.

School jurisdictions rely to a greater extent on provincial funding for financing capital projects. Most provincial assistance is provided through annual grants to support the cost of retiring debt resulting from school construction projects. This provincial funding supports an average of 75% of school boards' debt retirement costs for school construction. School boards which have unsupported debt retirement costs in excess of 3 mills on equalized assessment are required to provide a plan to the Minister of Education for reduction on the level of indebtedness.

There are no provincial guidelines as to how local governments should finance capital projects from the perspective of "pay-as-you-go" from current revenues, or reserves as opposed to "pay-as-you-use" which involves the use of long-term debt.

Note: Refer to Section 4.5 of Technical Report for further details.

INDUSTRY POSITION

- o Institute guidelines to ensure repayment of capital investment over the life of the asset.
- o Life cycle operating costs of ongoing capital projects need to be evaluated in advance as part of the approval process for government grants.

LOCAL AUTHORITIES POSITION

- o Each jurisdiction must have the flexibility to deal with capital investments according to local circumstances. Capital expenditures for municipalities cannot necessarily be compared to industry-related investment as municipal capital projects generally must be extended over many years of utilization not always related to profit generation.

3.5 ISSUE: MUNICIPAL ACCOUNTING PROCEDURES AND FINANCIAL REPORTING

BACKGROUND

Alberta Municipal Affairs has provided a system of accounts, but there is a wide variation in financial practices without standardized measurements of reserves. Municipal Affairs does not review the accounts to determine their content as to actual assets, reserves, or surpluses. These reviews are left to the auditors of the municipalities (Section 68, Municipal Government Act). Similarly, Alberta Education has provided a system of accounts for school boards, but responsibility for control of the accounts is left with the school boards.

Note: Refer to Section 4.6 of the Technical Report for further details.

TASK FORCE POSITION

Ensure conformity with the Alberta Municipal Accounting Code Structure Manual and the guidelines on municipal and school financial statements.

Adopt a system of financial reporting that will clearly and consistently review all reserves and allowance.

3.6 ISSUE: EDUCATION QUALITY/COSTS

BACKGROUND

Since 1974, school board expenditures per pupil have grown faster than the rate of inflation as measured by the Education Price Index (EPI). This growth reflects primarily additional local expenditures attributable to capital programs, added instructional programs, technology, inflation, lower pupil-teacher ratios, increased salaries, enrolment growth, and the transfer of costs such as services to medically fragile students. Growth of tax resources from large commercial and industrial assessment, and the increase in the number of high-cost small school districts, have also contributed to increased expenditures.

While expenditures have increased, the quality of education has also improved as measured by decreased pupil-teacher ratios, better facilities and equipment, improved retention rates, better services to physically, mentally and educationally disadvantaged students, more graduates, and higher percentages of Alberta residents with post-secondary education credentials.

Nevertheless, the Task Force is concerned with the standards and expectations of schools, and the ability of graduates of Alberta schools to compete with graduates of the schools of other countries. Furthermore, there is concern about the degree to which the financial support provided to schools ensures that the students of our schools are able to have equitable access to programs and achieve the standards and expectations of local governments, post-secondary institutions, parents, business and industry, and the public. The Task Force also indicated that there needs to be a process which allows employers, the public, post-secondary institutions, and other users to have input into determining the mandate for schools, the standards to be achieved by the graduates of our educational system, the degree to which standards have been achieved, and the relationship between the level of financial support and the results achieved.

Note: Refer to Section 5.2 of Technical Report for further details.

TASK FORCE POSITION

Reduce the number of school jurisdictions which contribute to inefficiencies and higher administration costs.

Establish a permanent forum for representatives of industry, local governments, parents, post-secondary institutions, and other user groups to establish the standards and expectations of schools and to determine the degree to which the standards and expectations are being met.

The Province should provide a level of financial support congruent with an established mandate of schools and sufficient to ensure the international competitiveness of school graduates.

Every student in Alberta should have equitable access to educational services and programs.

4.0 GENERAL COMMENTS/RECOMMENDATIONS

LOCAL AUTHORITIES RECOMMENDATION TO FORM A PREMIER'S COMMISSION ON PROVINCIAL ASSESSMENT AND TAXATION

This Task Force was initiated as the Provincial Government's response to several industries' concern about property assessment and taxation practices affecting industry competitiveness, especially the issue of Machinery and Equipment taxation. The Task Force, as finally constituted and mandated, included representation and input from the Departments of Education, Municipal Affairs and Economic Development & Trade, various local authorities associations, and industry. All parties involved in the design of the mandate and structure of the Task Force were sincerely motivated; but as they engaged in the task, more issues became obvious.

In the first place, all appointees were in a representative role for their groups and others were in a resource role for their government department. The representative appointees were in immediate conflict. The Local Authorities wish to acknowledge the cooperation and contributions of the government department representatives of the Department of Municipal Affairs, the Department of Education, and the Department of Economic Development & Trade. Oversimplified, but clearly characterized, the industrial representatives' goal is to reduce or eliminate as many taxes as possible while the local authority representatives are bound to maintain their assessment base.

Secondly, the members of the Task Force and the Working Group were mainly voluntary representatives who could not dedicate the time for more comprehensive study. Furthermore, lack of financial and manpower resources forced the Task Force to undertake very narrowly based research. Of necessity, this narrowness eliminated many groups of business and industrial taxpayers from appropriate consideration.

In addition to being unfair to various classifications of business taxpayers, this narrowly based study became the basis for consideration of changes to the entire taxation and assessment system. Fortunately, the Task Force was able to create a report that reflects the legitimate concerns of the Industrial representatives and identifies several recommendations and positions that, if adopted, could improve some assessment and taxation policies and practices. However, overall, the Task Force identified more problems and inconsistencies than its mandate or resources had contemplated.

All representatives on the Task Force acknowledge that there are more problems and concerns than the singular issue of the Machinery and Equipment taxation which originally inspired the implementation of this Task Force. The issue of assessment and taxation cannot be addressed without considerations of municipal and educational responsibility. Consistency and equity cannot be addressed without considering local autonomy versus provincial control. In short, the cause and effect relationships within the taxing, financing and managing functions of local and provincial governments are the most complex issue for officials, politicians and taxpayers. Change or reform cannot be introduced casually nor in a piecemeal fashion.

The problems are becoming more obvious. This last economic recession was a forcible reminder that while government's responsibilities and the public's demand for services continue unabated, revenue and willingness to pay to support these responsibilities are dependent on the health of the economy. It is now that officials, politicians and taxpayers are forced to address the taxation structure in our province.

Only a Premier's Commission with the resources and mandate to conduct comprehensive hearings including representation from all regions, economic sectors, local authorities and the general public can form the basis for a fundamental review of the issues. Only a Premier's Commission with the resources and mandate to do a broadly based and appropriately representative study of the tax competitiveness among various industries and businesses is competent in recommending fundamental rather than cosmetic or piecemeal changes to the taxation structures. Only a Premier's Commission with members selected for their specialized skills and knowledge rather than as representatives of vested interest groups will have the independence and freedom to deal with the complex conflicts among the various stakeholders.

The observations and concerns expressed in this report are evidence that tinkering with one or other element of the present tax structure will not suffice. A Premier's Commission with a comprehensive mandate to review and recommend revision of this structure is an imperative.

INDUSTRY POSITION

In late 1986, representatives for most heavy industry groups in Alberta, including oil and gas, petrochemical, forestry, and fertilizer industries, met with the Ministers of Education, Municipal Affairs, and Economic Development & Trade. The purpose of the meeting was to illustrate industries' concerns regarding property taxation, to request three immediate actions to provide some relief, and to establish a joint Industry-Government Task Force to recommend solutions to the many issues raised.

None of the immediate relief was granted. The request for a Task Force was met and was given a broader mandate by the three sponsoring departments.

The current Industrial Property Taxation Task Force study has been prepared by concerned knowledgeable representatives from the major stakeholders affected. Extensive research has produced the data contained in the Technical Report and the accompanying report of Findings and Resolutions has been completed and is ready for presentation to the Ministers. At the request of some of the stakeholders, the original mandate of the Task Force was expanded to cover all forms of industrial taxation not just property tax. The Technical Report (Vol. II) reconfirms industry's original study that the Alberta industrial property taxation system is not competitive for M&E intensive industries. There are no other offsetting tax benefits to compensate for the high industrial property taxation.

The Task Force has agreed on many consensus recommendations which can be acted on now by the various government departments which have jurisdiction.

On the remaining issues, particularly M&E taxation where the Task Force understandably could not reach full agreement, industry believes that the issues have been well delineated with respect to the inhibiting effects on the expansion of existing industry and the development of new industry in Alberta. The potential large impact on revenues of a certain few municipalities and school districts is also documented.

Industry understands that the alternatives will have varied impacts on different stakeholders, and believes the decision of what is fair and equitable can only be made by the Provincial Government.

The various studies in the Technical Report represent the most extensive review of industrial property taxation ever carried out in Alberta. More detailed studies on the effects of specific alternative taxes to M&E taxation may be necessary, but these are well within the purview and capabilities of the various provincial departments.

The choices which must be made cannot please all the stakeholders, but it is imperative that alternative choices be made which will better serve the long term interest of all Albertans.

In summary, from the data and the positions stated in the Task Force report, the Alberta Government is now in a position to take action and implement alternatives to bring equity to the provincial taxation system. A Premier's Commission to further study the issues of the mandate is not required.

APPENDICES

APPENDIX I
TASK FORCE PRESS RELEASE

INDUSTRIAL PROPERTY TAXATION TASK FORCE FORMED

EDMONTON, Alberta April 30, 1987 -- The formation of an Industrial Property Taxation Task Force was announced today by Municipal Affairs Minister Neil Crawford, Economic Development and Trade Minister Larry Shaben and the Minister of Education, Nancy Betkowski.

The task force will examine property taxation of industries in the province that have a high level of manufacturing and processing machinery and equipment. It will also assess the impact of income tax, sales tax and payroll tax and review alternative tax approaches.

The task force, under the chairmanship of Clarence Roth, Deputy Minister of Economic Development and Trade, will include representatives from government departments, the Alberta School Trustees Association, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties and the Improvement Districts Association of Alberta and from affected industry.

The task force will begin work immediately to assemble a comprehensive information base including data from other provinces as well as input from task force members.

The task force will present their report to the Ministers of Economic Development and Trade, Municipal Affairs and Education.

- 30 -

Reference:

Clarence J. Roth
Deputy Minister
Alberta Economic Development and Trade
Ph: (403) 427-2083

D'Arcy Levesque
Director Communications
Alberta Economic Development and Trade
Ph: (403) 427-0669

APPENDIX II
TASK FORCE MANDATE AND TERMS OF REFERENCE

INDUSTRIAL PROPERTY TAXATION TASK FORCE

MANDATE: By Ministerial direction, a task force has been established to examine the tax burden of industries in Alberta relative to other jurisdictions.

TERMS OF REFERENCE

1. Identify any problems and factors contributing to these problems relevant to industrial property assessment and taxation.
2. Review industry, municipal and school concerns as they relate to the property taxation issues.
3. Review Alberta property tax history, including an examination of equivalent levies on capital assets in other Provinces.
4. Review the other tax burdens on industries in Alberta, relative to other Provinces. This examination to include income, sales and payroll taxes.
5. Review alternative solutions to identified problems, including impacts, and note areas of agreement and disagreement.
6. Provide a written report to Ministers.

APPENDIX III
LIST OF WORKING GROUP MEMBERS

INDUSTRIAL PROPERTY TAXATION WORKING GROUP

Duane Pyear, Chairman, Acting Director, Industrial Property, Alberta Economic Development & Trade

Eric McGhan, Commissioner, County of Strathcona, representing the Alberta Association of Municipal Districts and Counties

Glenn Pitman, Commissioner, City of Fort Saskatchewan, representing the Alberta Urban Municipalities Association

Brian Irmen, Improvement District #14, representing the Improvement Districts Association of Alberta

Ken Albrecht, Improvement District #14, representing the Improvement Districts Association of Alberta

Dr. Larry Ferguson, Alberta School Trustees Association, representing the Alberta School Trustees Association

Doug Does, Senior Director, Industry Development Branch, Alberta Economic Development & Trade

Al Fenton, Director, Assessment Inspection, Assessment Services Division, Alberta Municipal Affairs

Allan C. Oliver, General Manager, Fort Saskatchewan Site, Sheritt Gordon

Serge Rand, Manager, Central Accounting Services, Nova Corporation of Alberta

Tom Robert, Imperial Oil Limited

Doug Burrows, Consultant, former Commissioner, City of Edmonton, representing industry

OBSERVERS

Nicholas Gartaganis, Director, Economic & Financial Analysis, Forest Industry Development Division, Alberta Forestry, Lands & Wildlife

Mary Gibson, Manager, Corporate & Resources Tax Policy, Alberta Treasury

APPENDIX IV
ALBERTA INDUSTRIAL PROPERTY TAXATION
TASK FORCE
ISSUE GUIDELINES TO THE WORKING GROUP

ALBERTA INDUSTRIAL PROPERTY TAXATION TASK FORCE
ISSUE GUIDELINES FOR THE WORKING GROUP

(July 31, 1987)

1. Total Industrial Tax Burden

- Determine to what degree industrial property taxation in Alberta is competitive with other selected provinces by calculating taxes across Canada for 3 model properties.
- Determine the total tax burden including "overhead taxes" (property, business, sales, capital and payroll taxes) and federal/provincial corporate income taxes based on a normal return on investment for these model properties. Compare the impact on total tax burden of varying degrees of profitability.
- Produce the calculation above comparing "overhead taxes" to profitability for the 3 model properties assuming no assessment of M & E.
- Present various combinations of changes which would provide a stable regimen of industrial taxation in Alberta and make it competitive with other Provinces. Assemble arguments for and against each, including impacts on taxation revenues.
- Provide list of factors affecting industry competitiveness.

2. School Foundation Program

- Outline the operation and the revenue history of this program fund, including the rationale of the fund and the Property Tax Reduction Act. Determine what proportion of total Provincial education funding this represents.
- Develop arguments for and against this type of tax. Suggest alternatives to the School Foundation Tax, and what levels of tax would be required to generate equivalent revenues.

3. Municipal Taxation and Finance

- Examine levels and trends in property taxation in Alberta separating them into M & E, other non-residential, residential and business taxes. Determine reasons for these tax changes (e.g. changes in assessment practices, increased mill rates, growth/expansion of assessment base).
- Examine the pros and cons of using typical machinery and equipment assessment and taxation versus business assessment and taxation. Determine the related impacts on municipal cost sharing (equalized assessment) and requisitions.
- Document inequities and inconsistencies of equalized assessment process in Alberta. Develop model properties to demonstrate existing problems, and suggest alternative solutions to these problems.

- Suggest categories for breaking down total municipal costs that would provide meaningful comparisons between similar Alberta municipalities.

4. M&E Assessment & Taxation

- Develop a discussion paper on assessment and taxation of machinery and equipment including a comparison with other jurisdictions. Utilize available studies by other provincial government groups and published papers. Include a summary of the arguments for and against the principle and the impact of removal of M & E assessment on various taxing bodies. This impact should be examined in terms of mill rate increases on the remaining property tax base in various municipalities, i.e.: indicate the tax changes for all classes of assessable property.

5. Split Mill Rate

- Set out the operation of split mill rates and indicate the extent to which they are currently being used.
- Examine what effects split mill rates have on industry and municipalities, and suggest alternative solutions.

6. Assessment Practices

- Identify and document problems with existing assessment procedures (e.g. inconsistencies, non-uniformity), particularly relating to obsolescence. Review approaches used in other provinces (e.g. B.C. study on obsolescence). Suggest alternative methods.
- Note: Issue of assessment exemptions for self provided services on industrial properties (e.g. sewer and water) is currently being addressed by Municipal Affairs. For this reason, the Working Group is directed not to do any further work in this area.

7. Reserves/Surpluses (Municipalities and School Boards)

- Examine and document nature of reserves and surpluses in selected municipalities and school boards; why reserves have been developed and the intended purpose of the reserves/surpluses.
- Examine and document existing accounting practices, suggests alternative policy guidelines, and determine if any limits should be placed on reserves.

8. Municipal and School Capital Financing Policy

- Document existing capital financing program guidelines/policies established by Education and Municipal Affairs.
- Identify any problem areas and recommend alternative solutions.

9. Supplementary School Requisition

- Determine the rate of increase in school costs, in the supplementary requisition and in the cost per pupil between jurisdictions in Alberta and other provinces.

10. Education Quality/Costs

- Examine factors affecting costs in Alberta and other provinces (e.g. number of districts, pupil-teacher ratios, salaries, cost per pupil, etc.).
- Note: Alberta Education is planning to release a White Paper on Financing of Education sometime in the fall which will address issues of education costs, quality of education, and methods of financing education costs in Alberta. For this reason, the Working Group is directed not to do any further work in this area other than outlined above. However, depending on the timing of the release of the White Paper, this document may be reviewed as part of the Task Force study.

11. Comparison of Service Levels

- Examine levels and trends of municipal spending. Compare per capita spending between jurisdictions in Alberta and to relevant jurisdictions in other provinces. Determine if there are major differences in mandated services between types of municipalities or between similar municipalities in different provinces where large per capita spending differences are revealed.
- Determine the estimated value of municipal services provided to industry in selected jurisdictions in Alberta and other provinces.

12. Funding from Higher Levels of Government

- Identify and assess present methods of funding provided to local jurisdictions (including School Boards) by higher levels of government which offset property taxation.
- Document any provincial grants/tax concessions generally available to municipalities or industry for locating in a province, region or municipality. Examine the impact of grants/concessions on industry, municipalities, taxpayers.

APPENDIX V
LIST OF REFERENCE REPORTS AND DOCUMENTS

APPENDIX V

LIST OF REFERENCE REPORTS AND DOCUMENTS

- o Report on Industrial Property Taxation in the Province of Alberta, prepared by Alberta Urban Municipalities Association, Alberta Association of Municipal Districts and Counties, and Improvement Districts Association of Alberta.
- o A Comparison of Property Taxation of Heavy Process Industry Across Canada, Alberta Government Industrial Tax Review Committee, 1983.
- o Report on Industrial Property Taxation in the Province of Alberta, prepared by Fort Saskatchewan Regional Industrial Association, Canadian Petroleum Association, Canadian Property Tax Agents Association Inc., October 27, 1986.
- o Equity in Education Financing, Alberta Education, October 13, 1987.
- o Instability of Machinery and Equipment Assessment, Machinery and Equipment Stakeholders (Municipalities and School Boards), March 1987.
- o Industrial Property Tax (IPT) Report, prepared by Alan Womack on behalf of the Alberta Machinery and Equipment Stakeholders, November 1988.

APPENDIX VI
SECTION 25.1 D OF THE SCHOOL ACT
GOALS OF SCHOOLING

APPENDIX VI

Goals of Schooling

Schooling, as part of education, accepts primary and distinctive responsibility for specific goals basic to the broader goals of education. Programs and activities shall be planned, taught and evaluated on the basis of these specific goals in order that students:

- develop competencies in reading, writing, speaking, listening and viewing;
- acquire basis knowledge and develop skills and attitudes in mathematics, the practical and fine arts, the sciences and the social studies (including history and geography), with appropriate local, national and international emphasis on each;
- develop the learning skills of finding, organizing, analysing and applying information in a constructive and objective manner;
- acquire knowledge and develop skills, attitudes and habits which contribute to physical, mental and social well-being;
- develop an understanding of the meaning, responsibilities, and benefits of active citizenship at the local, national and international levels; and
- acquire knowledge and develop skills, attitudes and habits required to respond to the opportunities and expectations of the world of work.

Because the above goals are highly interrelated, each complementing and reinforcing the others, priority ranking among them is not suggested. It is recognized that in sequencing learning activities for students, some goals are emphasized earlier than others; however, in relation to the total years of schooling, they are of equal importance.

In working toward the attainment of its goals, the school will strive for excellence. However, the degree of individual achievement also depends on student ability and motivation as well as support from the home. Completion of diploma requirements is expected to provide the graduate with basic preparation for lifelong learning. Dependent on program choices, the diploma also enables job entry or further formal study.

Adopted by Order of the Minister
pursuant to 25.1d School Act

Table of Contents

Section 1. The purpose of the study is to determine the effect of the program on the academic achievement of the students. The study is a quasi-experimental design. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test.

Section 2. The study was conducted in a classroom setting. The students were divided into two groups: the experimental group and the control group. The experimental group received the program, and the control group did not.

Section 3. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test. The results of the study show that the program had a significant effect on the academic achievement of the students.

Section 4. The study was conducted in a classroom setting. The students were divided into two groups: the experimental group and the control group. The experimental group received the program, and the control group did not.

Section 5. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test. The results of the study show that the program had a significant effect on the academic achievement of the students.

Section 6. The study was conducted in a classroom setting. The students were divided into two groups: the experimental group and the control group. The experimental group received the program, and the control group did not.

Section 7. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test. The results of the study show that the program had a significant effect on the academic achievement of the students.

Section 8. The study was conducted in a classroom setting. The students were divided into two groups: the experimental group and the control group. The experimental group received the program, and the control group did not. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test. The results of the study show that the program had a significant effect on the academic achievement of the students.

Section 9. The study was conducted in a classroom setting. The students were divided into two groups: the experimental group and the control group. The experimental group received the program, and the control group did not. The data were collected from the students who participated in the program and those who did not. The data were analyzed using a t-test. The results of the study show that the program had a significant effect on the academic achievement of the students.

